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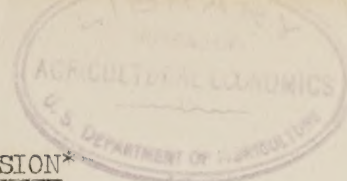
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AGRICULTURAL ECONOMICS IN EXTENSION*

by

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Increase in Problems Affecting Farm Income

As agriculture becomes more highly commercialized, the number of factors affecting money income greatly increases. Under a more self-sufficing type of agriculture, how to produce was the most important consideration of the farmer. As more and more of the products of agriculture exchanged for money, what to produce, how much to produce and how to properly combine the various enterprises became about as important as how to produce. More farmers fail because the size of the business and the kind of farming does not keep the men, horses, and machinery properly employed, than fail because of poor crops. The proper organization of the farm changes with every new invention and improvement in transportation. Marketing costs in many instances add more to the cost of farm products than all the costs incurred on the farm. How to market farm products to reduce the costs is becoming more important.

Many farmers now have large annual expenditures for labor, feed, seed, fertilizer and equipment. Higher land values, more equipment, more public services, and the use of automobiles for the family, require increasing amounts of capital, much of which is obtained through credit agencies. The cost of credit represents one of the most important items in the expenditures of farmers. How to use credit profitably is now one of the farmers' most important considerations.

In addition to the steadily increasing problems resulting from the commercialization of agriculture, the falling prices of recent years resulted in a wide disparity between the prices a farmer gets for his products and the prices he must pay for services, supplies, and the manufactured products of industry. Other economic changes have contributed to his distress, such as a decrease in the foreign outlet for many of his products, unsatisfactory market and credit conditions in this country, and an increase in the burden of debt, all of which means that not only are the ever-present problems of how to produce equally as important as ever, but numerous other problems affecting income have been added to them.

Economic Problems More Generally Recognized After Collapse of Prices

Due to a rather long period of generally rising prices, (1896 to 1920), in which the period 1914 to 1920 was characterized by rapidly rising prices, the full effect of the increasing problems resulting from the commercialization of agriculture was not generally realized until the culmination of the period of rising prices in 1920. In the latter part of this period, especially during the war period, increased production generally was associated with increased income. Debts were easily incurred and the cost of credit and marketing were not regarded as important items of expense. Likewise, the effect of national and international policies upon foreign demand and farmers' costs, such as increasing tariff rates, and changes in creditor and debtor status, were ob-

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scured. The emergency situation, created by the collapse of prices in 1929, and the national program for recovery, has created a widespread awakening of the complexity and effect of the problems of a commercialized agriculture upon income.

Same Extension Objective -- Means of Attaining It Changed

These briefly indicated conditions have not changed the ultimate goal of American agriculture and of the Extension Service, namely, a more abundant and satisfying rural life. They have, however, changed the means of attaining this broad objective. Prior to 1920 agricultural education generally, including college teaching, experiment station and extension work, was concerned primarily, as was the general attitude of the public, with how to increase production and how to improve production practices of the individual enterprise. This was the result of a general upward trend in prices and an expanding market for agricultural products.

Today the attainment of a more abundant and satisfying rural life largely rests upon a sufficient money income for individual farm families to command the goods and services required for present-day standards of living. It seems certain that agriculture will have an increasing number of questions to place before the educational agencies serving it. These questions will of necessity be dominated by the problem which dominates the farmer in his struggle for economic security, namely, a sufficient income to keep his living standards above those of a peasant class. Higher net income is not always brought about by increased or more efficient production, as is the common belief. Greater net income also results from solving such economic problems as refinancing loans at lower interest rate, determining where losses occur in the farm business, and eliminating these losses, wherever possible reorganizing production methods in order to market the products during periods when the prices received will net greatest returns and changing methods of marketing the products so as to result in more money to the farmer. There is an increasing need for a better understanding and coordination of such economic factors and forces that influence the individual farm business in order to appreciably increase the net farm income. Thus, a sufficient farm income must be the key thought in extension programs which meet the new conditions faced by American agriculture and which, therefore, best serve the needs of American farmers.

Extension Service Response to New Problems

A summary of the results of County Agents' activities in 1934 showed not only a tremendous shift to economic activities in line with new conditions but also a large quantity of results. The enlarged demand by farmers for educational assistance was due both to economic changes affecting farming and to the production, marketing and credit programs in operation for correcting maladjustments. These programs provided the necessary machinery for greatly speeding up adjustments in many areas.

Assistance to farmers with farm organization and accounting procedure and with facts as a basis for adjustments in production, marketing and farm finance,

continued to be the major activity. In addition to the demands for this work of particular significance to individual farmers, much was also demanded in the fields of land utilization, rural government, taxation and like problems in which adjustments call for governmental action or group action by farmers.

Economic planning work on a County, area or State basis, was given consideration in certain States, particularly those where this type of work had previously been under way. Extension program coordination assistance was also rendered by making available timely economic background data and by Extension Economists appraising the various extension programs in cooperation with other specialists. In some States Extension Economists have served as adviser and consulting specialist regarding agricultural problems with State planning boards. Some are also serving as active members of each subject matter project committee.

County Agents spent 107,000 days on economics extension work this past year; 39 percent of this time was spent on public problems and planning; 23 percent on farm management and outlook; 20 percent on farm finance and credit, and 18 percent on marketing. Voluntary leaders and committeemen devoted 176,000 days to economics work. Extension workers conducted 59,000 meetings, received 2,046,140 office calls, and assisted over one million farmers on keeping farm accounts, 500,000 farmers on credit problems, and assisted 800,000 with marketing problems. About 2-1/2 million individuals farm enterprise outlook problems were given attention by agricultural agents during the past year.

County Agents, in commenting on these economic activities this past year felt that perhaps no development in connection with Adjustment programs was more significant than that of focusing the attention of farmers on the adjustments needed in their own businesses as well as in the agricultural industry as a whole. They also felt that as a result of the initiation of the Adjustment programs in 1933 there emerged a new appreciation on the part of farmers of the problems of adjustment and for more definite information about their businesses and the outside factors influencing them. In meeting this demand for assistance in keeping records and disseminating economic information a valuable service has been performed for farmers and, at the same time, it has greatly facilitated in the administration and carrying through of these programs. More important, possibly, than either of these, has been the laying of a foundation for building future programs through participation by farmers in the procurement of detailed facts and the study of outside forces. In this way, means are provided for direct farmer cooperation in developing agricultural programs as well as in administering them.

Future Extension Programs Will be Centered More on Net Income

Economic changes have made farming more complex and business management factors more important in present day farming. The trend, therefore, seems to be more toward the interpretation of economic changes and economic material generally, also toward a better coordination of the entire teaching program around the income point-of-view. The County will continue to be the focal point in the development of our agricultural educational program. County Agents, working closely with farmers, are thinking more in terms of the farm business as a whole and are evaluating the agricultural problems of their Counties just

as the farmer does on his individual farm. Being in this position of close contact with farmers on the one hand and with a vast source of technical material on the other, he continues, as in the past, to be in the best position to evaluate and develop an educational and service program for his County.

Since his production programs are older, better established and supported by more research than are the economic phases of the program, and since outlook and other economic information deals with ever-changing situations, more time and consideration will be required in keeping up to date with these ever-changing problems than with the production practice phases.

Farmers are less acquainted with, and, consequently, less able to make correct decisions on the basis of current economic problems than on those of production. For the farmer to acquire such an understanding requires familiarity with a wide range of economic information and constant contact with it, the same as was necessary in acquiring his knowledge of other agricultural sciences.

County Agents, in general, have done a splendid job in providing and interpreting economic information for farmers. However, the increase in these problems, together with the usual production problems, have often overloaded County Agents and prevented them from providing the economic information they realized the farmer needed to maintain a sufficient income.

To meet the increased demand by farmers for economic information, county agents will require more assistance in prices, marketing, farm management, credit, and taxation, in the development of their economic program and the preparation and interpretation of economic information in its application to local farm problems affecting income. Therefore, assistant county agents or special district agents trained with an economic point of view will be needed in many States.

Some Economic Problems Affecting Farm Income Requiring a Teaching Program

The specific program of work in agricultural economics must be based upon local conditions. Any program developed in a distant office, based upon assumed conditions, fails to recognize the need of beginning with the actual farm problems. Thus, only a brief outline is presented for the purpose of emphasizing some of the major problems to be taken into consideration in building the specific local programs:

1. Production Trends and Adjustments

a. National, State, County

- (1) Shifts in production to areas of low costs
- (2) Shifts in production to meet changes in demand
- (3) Increase in submarginal areas

b. Planning a regional or county program of agricultural adjustments

- c. National programs translated into local terms

2. Farm Management

- a. Farm records
- b. Why some farms pay better than others
- c. Selection and combination of most profitable enterprises
- d. Efficient methods of production
- e. Income from farm business as a whole
- f. Tenancy and leasing practices.

3. Outlook

- a. Supply-demand and price outlook for principal products of States
- b. Adjustments on individual farms to meet (1) changes in legislation and (2) public policies, such as changes in tariffs, international agreements and land utilization.
- c. Correlation of local with national price trends.

4. Marketing

- a. Economic forces underlying marketing problems
- b. Facilities for direct marketing
- c. Facilities for outbound shipments
- d. Services, costs, grades, and standards
- e. Local farmers' marketing organizations
 - (1) Functions
 - (2) Services
 - (3) Costs
- f. Effect of changes in the retail distribution system
- g. Changes in market demand and in buying position of consumer
- h. Effects of changes in methods of transportation
- i. Losses sustained in marketing process

5. Purchasing

- a. Services needed in handling farm and home supplies
- b. Types of agencies best suited to perform services
- c. Cooperative efforts as an aid to efficient purchasing
- d. Financing of purchases

6. Farm Credit

- a. Forces underlying the need for credit
- b. Businesslike use
- c. Agencies
- d. Cost
- e. Long-time, short-term, and marketing credit

7. Public Problems and Planning

- a. National policies affecting farm profits
- b. Increases in use of public agencies
- c. Increased support of public agencies by taxation
- d. Place of agriculture in national economy
- e. Use and classification of land

8. Coordination of Extension Programs

- a. Production practices with economic factors and forces
- b. Extension activities from income point of view
- c. Background data with current economic information

SUMMARY

1. Economic changes have made farming more complex and business management factors more important in present day farming. Changes in economic conditions, such as price changes, changes in demand, changes in marketing costs, changes in tariffs and other national and international policies may be expected to create a continued increase in the demand for economic information that will permit the careful planning of the whole farm business by farmers on the basis of increased farm income.
2. County agents are to be commended in the way they are meeting this new challenge. Not only are many of them giving more attention to the local interpretation and adaptation of economic information, but they are also developing new methods and uncovering additional leadership for a wider projection of the full program.
3. The important problem at this time is in finding ways and means of further assisting county agents to meet the increased demand of farmers for economic information.

